

MT LEGISLATIVE HISTORY

Chapter 519 1987

Bill (H) 851 S _____

Original bill & hist. ____C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) Mar 17 ✓C

Hearing Date(s) Apr 01 ✓C

Mar 19 ✓C

Apr 03 ✓C

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Date Out Mar 19 ✓C

Apr 03 ✓C

Did this bill originate in an interim committee? ____Yes ____No

Committee _____

Report _____

CHAIRMAN--SEN. GEORGE MCCALLUM
NORMAL SCHEDULE==> SITE: ROOM 413/415

DAYS: MON THRU FRI TIME: 8:00 A.M.

SECRETARY-AGGIE HAMILTON

BILL NO	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
HB0851	3/23	4/01		CONCUR		4/3
HARP, JOHN			TRANSFER ELECTROLYTIC ORE-REDUCTION MACHINERY AND EQUIPMENT TO CLASS 5			
HB0876	3/23	4/02		CONCUR		4/13
RAMIREZ, JACK			VALUING NEW AIRCRAFT AND EQUIPMENT ACQUIRED BY CERTAIN SCHEDULED AIRLINES			
HB0904	4/03	4/07	4/10, 4/11, 4/13	CONCUR AS AMENDED		4/13
HARP, JOHN			INCOME TAX REVISION TO FUND EDUCATION			
HB0906	4/03	4/08		CONCUR AS AMENDED		4/11
RAMIREZ, JACK			APPROPRIATING SALES AND USE TAX REVENUE; OTHER APPROP. TO DOR FOR ADMIN.			
HJ0041	3/27	4/06				
HARP, JOHN			ESTIMATING REVENUES FOR THE 1988-1989 BIENNIUM			
HJ0048	4/09	4/13		CONCUR		4/13
SPAETH, GARY			JOINT RESOLUTION FOR INTERIM STUDY OF PROPERTY REVALUATION PROCEDURES			

HJR 56

4/22

CONCUR

4/22

To Whom it may concern:

I support H. B. #851, even though it will have an instant effect upon Flathead County budgeting. I could also not support H. B. #851 if I used the reasoning that all industries and citizens were or should get a tax break.

These things are probably true, but please, realize with me what supporting H. B. #851 does for Flathead County, such as:

- 1) It will stabilize an industry so sorely needed in Flathead County as it employs 770 people.
- 2) The bill will reduce C. F. A. C.'s taxes by one million dollars but if they were to close, we would lose over two million dollars in a very short time. Plus, those 770 people would be looking elsewhere for jobs, thus, losing the amount of taxes they would be paying.
- 3) Of these 770 people, approximately 600 will own homes. Of these, maybe one hundred will try to stay in the Flathead, leaving five hundred homes placed upon the market. This influx of realty will destroy the prices on all homes for sale in the County.
- 4) The loss of these 770 payrolls will have a tremendous impact upon all business in Flathead County. Many will be forced to close. In this present period of hard dollars, our people cannot afford this to happen.

I would like to point out that other businesses are having a tough time but some have had tax breaks contrary to some public opinion. I am a farmer and rancher besides being a County Commissioner. Therefore, I am a businessman feeling the "crunch". I would like to also point out, that farm land has not been re-evaluated since 1978, except for a few parcels done by request. In other words, their taxing level has remained the same. Taxes on our cattle use the inventory averaging method and stock under nine months old are not taxed at all.

SENATE TAXATION

EXHIBIT NO. 7

DATE 4-1-87

U.S. 851

Senator Halligan asked if there was any information now where in the off season, when they have to cut their rates and have to pay the sales tax essentially out of their own pocket.

John Wilson said it is true their are up and down seasons and the way the industry adjusts itself is to adjust the rates. He does not think the hotel has to pay the tax or absorb that tax in the shoulder period.

Representative Winslow closed by stating he believes that this is a measure that will provide a percentage of hope as we go out of this session. Hope that the future can be a little bit better in the state.

CONSIDERATION OF HB 851: Representative Harp, House District 7, presented this bill to the committee. In 1983 the ARCO plant in Columbia Falls announced that they would not be open indefinitely and something had to be done as they were losing money. By 1985 the community knew their time was running out. ARCO wanted to sell the plant and there were two important factors that was known about the plant -- 1) the plant had an excellent work force and management team and 2) despite the 30 year old plant it was still in good shape. We recognized we had some big problems to solve. The electrical power rates were much higher than the world average. We now have a bearable electricity rate, as the aluminum price lowers so does the electricity price and as it increases then so does the electricity price. A big concession was in the wage and benefit package. We revised the work force and management package and they all agreed to a 20% reduction in wages and benefits. Vacation pay was scaled back from 12 to 6 days. We even negotiated with BN to reduce the rates on freight. There is one remaining issue that keeps the plant noncompetitive and that is the property taxes. The taxes in the other 7 aluminum plants is approximately \$750,000 per year. In 1986 the tax levied on the Columbia Falls plant was \$2.4 million. The value, according to the Department of Revenue, is \$148 million. An independent appraiser appraised the value at \$30 million. If we are interested in keeping these people working and keeping this plant functioning, then we should look at this bill. This bill would transfer electrolytic reduction facilities machinery and equipment from class eight to class five property. Certainly there is a loss of revenue. There is a loss on the local level, with the biggest area in schools.

School District 6 came to the House and supported this bill because they were looking beyond the revenue loss. No matter what the effects are, if you lose the largest employer in the Flathead valley then what do you have.

PROPOSERS: Jerome Broussard, President of the Columbia Falls Aluminum Plant, gave testimony in support of this bill. He would like to explain how this bill and the reduction and relief that it gives, fits into their overall business plan. We are talking about 770 jobs in Flathead County. Their business plan is to try to get every major cost lowered and to make as much of that cost component variable instead of a fixed cost. We have to lower our break-even point to where we can survive in the severely depressed times of our industry. Just since we have become the owners of the Columbia Falls Aluminum Plant, we have seen as much as a 50% change in the price of our product. We do have the variable electricity rate from Bonneville Power, we reduced our labor cost to 40% by giving the employees a profit share plan and we looked at every other fixed cost that we have. What we are talking about here is one of our fixed costs. We need to be competitive, we need to get our fixed rates down. That is the basis of this bill. Other plants in the northwest pay about \$750,000 in total taxes. We need to continue to drop our break-even point. This bill goes a long way toward helping us. If we make money our employees make money, we pay more to BPA and to the state.

Dennis Corbett, Vice President, Aluminum Workers Trades Council, gave testimony in support of this bill. This bill will help us to remain operating in Montana and to stay competitive with the rest of the aluminum plants in the northwest. What we need from our state is the ability to stay competitive and remain operating in Montana.

Judy Luce, representing the Montana Chamber of Commerce, gave testimony in support of this bill. We are a strong industry-based community and we are asking for help to preserve our community. We want our plant to stay and be healthy.

Colleen Allison, Mayor of the City of Columbia Falls, gave testimony in support of this bill. A copy of her written statement is attached as Exhibit 6.

Thomas Payne, Columbia Falls Chamber of Commerce, gave testimony in support of this bill. We feel the state

must stop looking at business as an endless deep pocket, there is a bottom to the pocket. We feel the state needs to go back to the basics and support existing industry, as well as encourage new business. One way to do this is through competitive property tax. It is time for the state to fight to keep its only aluminum plant.

Judy Berardi, representing People for Jobs, gave testimony in support of this bill. She has watched the aluminum plant go through all its pitfalls and watched it survive. All we are asking for is a more equitable property tax for this business. She furnished the committee with a newspaper article entitled, "Give CFAC its tax reduction" and written testimony in support of HB 851 from Allen A. Jacobson, Commissioner, Flathead County, attached as Exhibit 7.

Senator Lybeck, Senate District 4, gave testimony in support of this bill. If we lose the Columbia Falls plant it will have a drastic effect on the Kalispell valley and all of the state of Montana.

OPPONENTS: Gordon Morris, representing the Montana Association of Counties, gave testimony in opposition to this bill. The proponents have done an excellent job of laying out justification for this bill. He opposes this bill from the standpoint of the loss of property tax revenue in placing this machinery and equipment in class 5 property. He thinks it is more appropriate to take a look at this in the context of HB 377. We are singling out a specific property for special treatment. He would suggest that a coordination clause be put in this bill that would say if the replacement revenue is available then reduce the classification. On the effective date, he would suggest that at the very minimum that be December 31, 1987. By this change in the law, we would have to look at a refund process.

Ken Krueger, Flathead County Commissioner, gave testimony in opposition to this bill. We are like the other counties with a shortage of money. This loss of tax dollars could well mean actually whole departments in the county being done away with. There are other industries and farmers and ranchers that want a tax reduction, everyone is having hard times now, not just the aluminum plant.

Howard Gipe, Flathead County Commissioner, gave testimony in opposition to this bill. He agrees that we all need some reduction in property taxes. The aluminum plant

has done a wonderful job and their employees are receiving bonuses, the plant is profitable. Locally there are other businesses that are not fairing so well, maybe we should reduce their taxes a little bit. If we give one industry a reduction, then we should give others a reduction. We are faced with I-105 every day. Where will the revenue come from in the counties. This is special interest legislation, if we are going to do this, let's reduce them all.

QUESTIONS FROM THE COMMITTEE: Senator Crippen asked Judy Luce where the Chamber stood on a sales tax.

Judy Luce said they haven't polled their members yet. We would prefer not to have a sales tax but if that is the last option available to give this relief, then we would be in support of a sales tax.

Senator Crippen asked Colleen Allison the same question.

Colleen Allison said it depends on what happens here. One thing depends on something else, one bill takes away and another bill gives back.

Senator Crippen commended the aluminum plant for what they have done but he said you are not alone in your area of concern for property taxes in Montana. There are a number of companies in Billings that the same thing is happening. He asked Senator Lybeck if he would be willing to have an open mind on a sales tax in relation to giving property tax relief to everyone in the state, not just the people in Columbia Falls.

Senator Lybeck said he would support a sales tax if it is put to a vote by the people of Montana.

Senator Crippen asked if he would recommend that this bill be put to a vote of the people.

Senator Lybeck said this is a little different situation.

Senator Eck asked Ken Krueger how many mills does \$800,000 represent to the county.

Ken Krueger said a mill brings in \$90,000 to the county.

Senator Eck asked Greg Groepper if there was any similarity between the Columbia Falls Aluminum Plant and the Washington Construction in Butte, that would put them both in the same new industry classification to allow the same exemption to the Columbia Falls Plant that was given to the Washington Construction operation in Butte.

Greg Groepper said he did not think they would be qualified the same as the Washington Company. The facts are different.

Senator Hirsch asked Mr. Broussard if he had met with the tax appeals board and what is the value that he thinks should be placed on the plant.

Jerome Broussard said they went before the tax appeals board approximately two weeks ago and they have not received a decision yet. They have valued the plant at \$148 million, which came to \$2.4 million in taxes. We feel the value of the plant is more in the range of \$30 million.

Senator Mazurek asked if anyone knew what the fiscal impact of this bill would be if they are successful at lowering their property taxes before the tax appeal board.

Jerome Broussard said all we are addressing in the appeal is the appraisal for 1986.

Gordon Morris said if you assume they have a \$2.4 million property tax bill currently, for a market value of \$148 million. If the market value is reduced to \$30 million, the property tax bill will drop by 3/4, so 3/4 of \$2.4 million is \$600,000. Under the bill, approximately the same result will occur by dropping them from 11% property down to 3% property.

Senator Brown said you have appealed the second half of 1986 taxes but did you pay the first half of 1986 taxes under protest.

Jerome Broussard said yes, we did.

Senator Lybeck asked Jerome Broussard to comment on Senator Eck's question concerning the tax break given to the Washington Construction operation in Butte.

Jerome Broussard said it is very difficult to understand why we would have received the break if we had closed the plant for 3 years and then restarted. We would have caused the loss of \$100 million in payroll to the state but we would then have gotten a break in taxes. We are as much a new industry as they are.

Senator Crippen asked Greg Groepper what would be the chance of reducing this appraisal.

Groepper said he suspects the number will be reduced

Representative Harp closed by stating he would hope the committee would consider this issue on its own merits and not in relation to a sales tax measure. The people in his area are willing to take this tax reduction in order to keep their plant going.

ADJOURNMENT: The meeting adjourned at 10:30 A.M.


SENATOR GEORGE McCALLUM, Chairman

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FOOTNOTE: Jerome Broussard, President, Columbia Falls Aluminum Company, furnished the committee with a letter in support of HB 851 and a fact sheet on HB 851 after the hearing on this bill. This information is attached as Exhibit 8.

50th LEGISLATIVE SESSION -- 1987

Date 4-1-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

TESTIMONY

VISITORS' REGISTER

HB 84, HB 851

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Pamela Needel	Missoula Chamber of Commerce	HB 84	✓	
Wm T. Larsen	Msle. Thrifty Western Inn	HB 84		✓
Ed Shelton	Myly Super 8	HB 84		✓
D. [unclear]	Kelf	HB 84	✓	
Howard [unclear]	Flahart Co. Comm.	851		✓
K. Kniggen	Flahart Co. Comm.	HB 851		✓
Kay Foster	Billings Chamber	HB 84	✓	
BRETT A. BOEDECKER	Uniontown - Toward	HB 84	✓	
AL DONOHUE	Tourism Advisory Council	HB 84	✓	
Gordon Morris	MACo.	HB 851, HB 84		✓
Collan Olson	Mayor Columbia Falls	HB 851	✓	
July Gerardi	People for Jobs	HB 851	✓	
Thomas F. Payne	Col. Falls Chamber	HB 851	✓	
Judy Luce	Col. Falls Chamber	HB 851	✓	
JOE WEGGENMAN	TELENA TRISA Chamber	HB 84	✓	
Lucy Gannagat	Pack Plaza Hotel	HB 84	✓	
Betsy [unclear]	Flahart Chamber Commerce	HB 84	✓	
Leo Brunner	Mt. Anselm's 1st Grade	84	✓	
Ray H. [unclear]	3 OR	84		
Chris [unclear]	Mt. West Community	84	✓	
Brenda Schyke	Mont. Cultural Advocacy	84	✓	
Alec Hansen	M.L.C.T.	84		✓
Stuart P. [unclear]	Mt. Chamber of Commerce	84	✓	
Steve Browning	CFAC	HB 851	✓	
Wendy P. Corbett	Montana Workers Trades Council	HB 851	✓	
JOE BROWSSARD	CFAC	HB 851	✓	

DATE _____

COMMITTEE ON SENATE TAXATION

VISITORS' REGISTER H.B. 84 NB 851

[illegible]

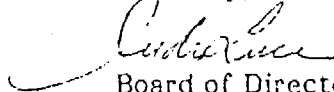
February 20, 1987

Columbia Falls Aluminum Company
Columbia Falls
Montana 59912

Dear Sir/Madam:

The Columbia Falls Chamber of Commerce supports the legislation to be introduced by Representative John Harp that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property, amending Section 15-6-135, MCA, and providing an immediate effective date and a retroactive applicability date.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judy Luce", is written over a horizontal line.

Board of Directors
Columbia Falls Chamber of Commerce
Judy Luce, President

SCHOOL DISTRICT NUMBER SIX

COLUMBIA FALLS, MONTANA 599121259

OFFICE OF THE SUPERINTENDENT
TELEPHONE (406) 892-4321

MONTANA'S LARGEST SCHOOL DISTRICT STRETCHING FROM
CANADIAN BOUNDARY INTO BOB MARSHALL WILDERNESS.
AND INCLUDING HALF OF GLACIER NATIONAL PARK AND
NORTHEAST PORTION OF FLATHEAD VALLEY

February 19, 1987

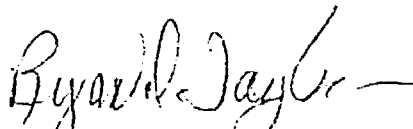
Columbia Falls Aluminum Company
Columbia Falls, Montana 59912

Dear Jack,

School District #6 supports the legislation to be introduced by Representative John Harp, that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property.

Despite the obvious impact by any adjustments or tax appeals, we support Columbia Falls Aluminum Company in their continued efforts to remain a viable industry.

Sincerely,


Ryan D. Taylor
Superintendent

RDT:ca

SUPPORT

SENATE JOURNAL
EXHIBIT NO. 6
DATE 4-1-87
BILL NO. H.B. 851

Chamber Comm 11/1
MAYOR COLLEEN ALLISON - CITY OF COLUMBIA FALLS, MT.

A FEW WEEKS AGO I WAS PRIVILEGED TO BE A PART OF A DISCUSSION THAT I FOUND EXCITING IN CONCEPT. IT WAS BUSINESS SITTING DOWN WITH TAXING ENTITIES AND DISCUSSING A MUTUAL CONCERN ... THEN AGREEING TO SUPPORT THE BILL NOW BEFORE YOU. THINK ABOUT IT...TAXING ENTITIES, CITY AND SCHOOL DISTRICT AGREEING TO A PROPOSAL BY WHICH THEY LOSE TAX DOLLARS. SANE...???? YES...INDEED. SUPPORTING BUSINESS, THEREBY KEEPING AND SUPPORTING JOBS...AND AS A RESULT THE TAXING CIRCLE STAYS ALIVE AND WELL. BUSINESS THRIVES.....GOVERNMENT THRIVES. A SIMPLE ENOUGH FORMULA, NOT ALWAYS EASY TO ACCOMODATE. BUT CERTAINLY NECESSARY TO OUR ECONOMIC HEALTH. THE CITY DOES NOT SUFFER DIRECTLY FROM A TAX ADJUSTMENT. WE MOST CERTAINLY WOULD SUFFER IF ONE THIRD OF OUR CITY TAXPAYERS WERE OUT OF WORK. THOSE ARE THE STATISTICS WE WOULD HAVE TO RECOGNIZE ONE THIRD IN THE CITY PROPER AND ONE FOURTH WITHIN THE SCHOOL DISTRICT. LESS TAX DOLLAR IS BETTER THAN NO TAX DOLLAR. WE ARE MAINLY INTERESTED IN KEEPING THE ALUMINUM PLANT ALIVE AND WELL.

TWO AND ONE HALF YEARS AGO WE FELT THE COLD, PIT OF THE STOMACH SINKING FEELING WHEN AN OFFICER OF ATLANTIC RICHFIELD CALLED ME INTO THE PLANT AND TOLD ME THEY WERE GOING TO EITHER SELL THE PLANT OR CLOSE IT.

IT BECAME APPARENT OUR ONLY SOLUTION WAS TO JOIN IN THE SWELLING SUPPORT TO SELL THE PLANT. THE COMMUNITY (FLATHEAD COUNTY) ROSE UP AND DID JUST THAT. ONE OF THE PRIME CONCERNS OF THE POTENTIAL BUYER WAS ENERGY RATES. THE COMMUNITY TOOK THE LEAD POSITION ON ADDRESSING THE ENERGY RATES THROUGH THE PUBLIC HEARING PROCESS 3,000 PLUS ATTENDANCE EACH OF TWO HEARINGS. THEY ALSO NEEDED WAGE CONCESSIONS, WHICH THEY RECEIVED, FREIGHT RATES...WHICH WERE ADDRESSED AND LAST BUT FAR FROM LEAST THEY NEEDED A TAX STRUCTURE THAT WAS SUPPORTIVE NOT DESTRUCTIVE. TAX THEM FAIRLY, AND THE STATE, COMMUNITIES, SCHOOL DISTRICTS AND COUNTY WILL THRIVE...TAX THEM UNFAIRLY AND WE MIGHT NOT HAVE THE PLEASURE OF TAXING THEM AT ALL. IF THE ALUMINUM COMPANY CANNOT MAKE A PROFIT, THEY CANNOT PAY PROFIT SHARING...THEY CANNOT BE COMPETITIVE ON THE WORLD MARKET AND THERE WILL BE NO SENSE WHATSOEVER DOING BUSINESS IN MONTANA.

ONE OF THE THINGS WE FACED WHEN WE THOUGHT WE WOULD LOSE THE PLANT WAS...NEVER AGAIN SHOULD WE ALLOW OURSELVES TO BE IN THE POSITION WHERE ONE COMPANY PAID 10% OF THE COUNTY TAX BILL.//NOT ONLY UNFAIR...NOT VERY SMART OF US// THEY GO, WHAT HAPPENS. POINT...DIVERSIFY...SPRED THE TAX DOLLAR ... ENCOURAGE NEW AND OLD BUSINESS. THIS BILL BEFORE YOU MAKES SENSE. ENCOURAGE BUSINESS TO SAY AND THRIVE IN MONTANA ... AND PAY ALOT OF INCOME TAX. THEY DO WELL...WE DO WELL... THEY LEAVE THE STATE... A STRONG LEG OF OUR SUPPORT STRUCTURE CRUMBLES. 5.5% of THE STATES PAYROLL TOTAL... PACKED UP AND GONE. DON'T LET THAT HAPPEN.

Qmta Reso - City Letter SD #6

Opinion

Give CFAC its tax reduction

This week, House Bill 851 will be aired before the House Taxation Committee. The bill, with a simple bookkeeping change, would give the fledgling Columbia Falls Aluminum Co. a tax cut worth about \$900,000.

It's a tough call, but despite the added pressure that tax cut will place on schools and local governments, the bill deserves the committee's OK.

HB851 is not the kind of bill that's easy to support. It is special-interest legislation in that it benefits only one taxpayer, possibly at the expense of other taxpayers.

Special-interest legislation won't solve Montana's problems. What Montana needs is sweeping tax reform to broaden the tax base and equalize the load.

But what we need and what we'll get, unfortunately, are apt to be much different. And what we do NOT need is to make it tougher for a major employer to continue doing business in the state.

CFAC says its plant is worth \$30 million; the state says \$140 million. A figure somewhere in between seems reasonable. While tax bills are hard to compare directly from state to state, CFAC is at a decided disadvantage compared to other Northwest aluminum plants. CFAC's annual tax bill is about \$2.4 million; Washington and Oregon plants average less than \$1 million.

One thing is certain: The plant's worth nothing if it's shut down.

A year and a half ago when CFAC sought — and got — wage, power, and freight rate concessions, company officials said they would also seek property tax concessions to make the Columbia Falls plant more competitive in the world market. Back then, to most taxing jurisdictions, a reduced tax payment from the aluminum plant seemed a small price to pay to save hundreds of jobs and the plant.

It still does.

With lower costs and greater efficiency, the plant prospered last year. It is not in

immediate danger of closing. As long as it remains competitive, it will thrive, and that's what HB851 is all about — reducing the cost of doing business in Montana so a major employer can prosper and provide jobs for Montana workers.

When the Washington Corps. reopened metals operations in Butte, the Montana Department of Revenue negotiated a lower tax rate to give the new operators a leg up.

But CFAC has had little luck negotiating a similar break from the Department of Revenue. So the company turned to the Legislature for relief. Frankly, a negotiated settlement with the Department of Revenue is preferable to HB851, but no one can — or will — compel the DOR to negotiate.

Eventually, when the state decides it wants a measure of prosperity we do not now have, the Legislature will enact sweeping tax reforms and adjust spending priorities. Until then, we will have to be satisfied with short-term measures to protect the jobs we have.

SENATE TAXATION

EXHIBIT NO. 7

DATE 4-1-87

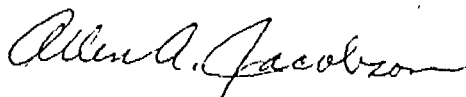
BILL NO. H.B. 851

The timber industry has had their lands re-appraised and their percentage of taxable evaluation was dropped from 30% to 3.84%.

I would also like to add that I am very actively in support of economic development. Statistics have proven that it is much cheaper and surer to enhance the stability of our already founded and proven businesses, than it it to procure new businesses that may be in doubt.

In closing, I apologize for not speaking to you in person, but I must be in Washington D. C., representing Montana on the Western Interstate Regional Board for the National Association of Counties at the time H. B. #851 is to be heard.

Sincerely,

A handwritten signature in cursive script that reads "Allen A. Jacobson".

Allen A. Jacobson, Commissioner
Flathead County, Montana

COLUMBIA FALLS ALUMINUM COMPANY

P.O. Box 10

Columbia Falls, Montana 59912

Telephone 406 892-3261

April 3, 1987

The Honorable George McCallum
Montana Senator
Capitol Station
Helena, MT 59620

RE: HB 851

Dear Senator:

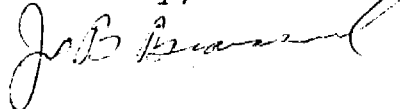
I am writing you on behalf of Columbia Falls Aluminum Company (CFAC), to ask your support of HB 851, a bill to reduce CFAC's personal property tax. The bill is essential to make CFAC competitive in the world aluminum market. HB 851 enjoyed wide support in both the House and Senate Tax Committees, including most affected local governments in the Flathead area, local chambers of commerce, the Aluminum Workers' Trade Council, and other local organizations, despite the fact the bill primarily reduces local property tax revenues. This support is obviously in recognition that it is important, both to the affected local community and the State of Montana, to preserve Montana's only aluminum facility. The legislation passed the House 81-15.

The only significant concern raised in the Senate Taxation Committee was that double tax benefits or "stacking" of tax benefits might occur if a sales tax (such as that proposed in HB377) is enacted which contains property tax reductions. It is not the intent of CFAC's management to seek any legislative relief other than that provided in HB 851. If other pending legislation is enacted which would in future years provide significant property tax relief to CFAC beyond that contained in HB 851, CFAC's management pledges to work with the Legislature at that time to ensure that only the intent of HB 851 -- to put CFAC in a competitive position -- is carried out by supporting appropriate changes in other property tax laws which might affect our company.

Enclosed is a fact sheet providing further background information on the bill.

On behalf of all the employees of CFAC, let me thank you in advance for your support.

Sincerely,



Jerome Broussard, President

Enclosure

SENATE TAXATION

EXHIBIT NO. 8

DATE 4-1-87

BILL NO. H.B. 851

Fact Sheet On HB 851

Background on Columbia Falls Aluminum Company

Columbia Falls Aluminum Company (CFAC), the largest employer in Flathead County, competes today in the world market for contracts to reduce alumina ore to aluminum. There are approximately seven other aluminum plants currently in operation in the Pacific Northwest, with two other facilities temporarily closed but scheduled to come back on-line under new management in the near future. In addition, CFAC competes with Canadian and third-world country plants which enjoy the advantages of subsidized power and/or low employment costs. CFAC, under its new management, is aggressively working to maintain its competitive posture by reducing operating costs. To date, CFAC management has been successful in reducing its costs in all major areas save one: reduction of its property tax burden.

The Columbia Falls aluminum reduction plant was built by the Anaconda Company in 1955 to take advantage of its close proximity to the then-cheap electricity generated by Hungry Horse Dam. The plant was expanded from two to three potlines in 1965 and to five potlines in 1968. In 1976, Anaconda sold the plant to the Atlantic Richfield Company. In 1983, ARCO decided to divest its metals division and in September of 1985 the Columbia Falls plant was sold to the Montana Aluminum Investors Corporation (MAIC). MAIC is a stand-alone Montana corporation with no ties to any other corporation or company. It is a 'new business, with new senior management operating CFAC.

In order for CFAC to compete in a highly competitive and mature international aluminum market, several cost-cutting measures have been implemented since late 1985 to make the new business plan work:

- The number of employees was reduced from 960 to under 800.
- All employees agreed to a 20 percent reduction in wages and benefits. Vacation pay was scaled back and paid holidays were reduced from 12 to 6 per year. Even with these reductions, CFAC's annual wage and benefit package exceeds \$28 million.
- The Bonneville Power Administration was persuaded to tie the cost of power to the selling price of aluminum.
- Burlington Northern Railroad granted concessions in transportation costs.
- Other major suppliers have also offered price concessions.

As noted above, the remaining outstanding issue that places CFAC in a non-competitive position is its property tax burden. The average of all taxes (including property, sales, business and occupation, and other taxes) paid by each of the seven other operating aluminum plants in the Northwest is approximately \$750,000. In contrast, the 1986 tax levied upon CFAC by Flathead County is \$2.4 million. The current assessed value of the Columbia Falls plant is \$148 million. An independent appraiser, however, has valued all of CFAC's assets at approximately \$30 million.

CFAC supports legislation which would decrease the fixed costs of the property tax levied upon its machinery and equipment by changing the classification of this personal property from class 8 to class 5, with a corresponding reduction in the classification rate from 11% to 3%. CFAC believes that placing its personal property in class 5, which includes new industry and pollution control equipment (as well as electric and telephone cooperative property) is a more fair and equitable treatment of its property and permits CFAC to compete more effectively in the world market.

Senator Mazurek asked if he was telling people that things are changing. How far do we have to go before we start getting credit, where do we draw the line.

Don Lee said he thought we would start getting credit when net proceeds, severance tax, RIT tax, conservation and personal property is on line with other producing states.

Senator Keating said there was an increase in drilling rigs in the state shortly after the effects of SB 90 became effective. Shortly after that the bottom dropped out of the industry because of the international price of oil. We are getting the message out.

Senator Eck asked the Department of Revenue if they could furnish a fiscal note showing an analysis of the benefits from the unitary, sales tax, property tax and this bill.

Lynn Chenoweth said he could try.

Senator Eck asked Doug Abelin how this tax break would impact with the deep wells.

Doug Abelin said the deep well is not going to get the benefit of this incentive that the shallow well will get.

Senator Mazurek asked Mr. Anderson if anyone had looked at the concerns the Department had.

Jerome Anderson said he would prepare a written response.

Representative Nathe closed.

DISPOSITION OF HB 851: Senator Brown made a motion that HB 851 BE CONCURRED IN.

Senator Mazurek said he understands the need for this. He has some concern with stacking tax breaks. He would like to help but has some concern with double breaks.

Senator Halligan asked if there would be a problem with refunding paid tax money with the timing of the effective date of the act.

Gordon Morris said we would be talking about taxes that have been collected and that would have to be refunded.

Senate Taxation
April 3, 1987
Page Six

Senator Halligan asked what would be the best date to alleviate the refund problem.

Gordon Morris said the effective date should be January 1, 1987.

Greg Groepper said that is the way the bill is written, pertaining to tax years beginning after December 31, 1986. That means property tax year 1987.

Senator Lybeck said we are dealing with a case of fairness in relation to the tax breaks that were granted to the Washington Corporation.

Senator Mazurek said we want to be fair to the Aluminum Plant and also fair to the taxpayers up there. He asked Jack Canavan if he had any ideas on a coordination clause.

Jack Canavan said in looking at HB 377, that doesn't take effect until 1990 and we wouldn't have any effect from that for the next 2-3 years. When looking at the exemption, this bill gives approximately a \$1 million tax break, \$800,000 to the local community and \$200,000 to the state. In 1987/88 we would have to pay \$1.2 million in a sales tax.

Senator Hirsch said there are difficult property tax problems statewide in every other major industry. He is trying to get general tax reform, with certain property tax relief for everyone. This is simply a piecemeal approach.

Senator Mazurek said in truth this will have some immediate benefit. With the sales tax, who knows what the voters will do with that. We could sunset this.

Senator Hirsch said the sunset idea is a good one to look at this tax break to make sure they are not down to paying no taxes.

Senator Brown said as a practical matter the sales tax is a long way down the road.

Senator Crippen said we are putting personal property into a different class. Under HB 377 this operation would be one big class at 5% and this bill takes it down to 3%.

Senator Brown's motion carried with Senator Hirsch opposed.

DISPOSITION OF HB 157: Jim Lear said Senator Lybeck would like this bill to be amended so that it will terminate when HB 658, the fee bill, goes into effect. This could be done by inserting "terminates January 1, 1988" on page 5, and by striking "is void" on line 2.

Senator Mazurek said that would allow this bill to go into effect this year and terminate when the fee bill goes on.

Senator Lybeck made a motion to adopt the amendment explained by Jim Lear. The motion carried.

Senator Severson asked how many boats are we talking about.

Greg Groepper said he thinks there are 5 or 6 in the state that are tour boats.

Senator Lybeck made a motion that HB 157 BE CONCURRED IN AS AMENDED. The motion carried with Senator Neuman opposed.

DISPOSITION OF HB 876: Senator Mazurek made a motion that HB 876 BE CONCURRED IN.

Senator Severson said we passed a bill a few days ago on fees on airplanes.

Jim Lear said that bill didn't address commercial airlines.

Senator Neuman asked if these scheduled airlines are taxed on a proration method among the states they service.

Greg Groepper said you require us to treat specially property that is used in more than one county or more than one state. Airplanes come under that. We value those properties under a method called unit value method and apportion that to Montana based on operation.

Senator Hirsch said we are asking the federal government to subsidize those counties in eastern Montana and he thinks this bill would show a good faith effort on the part of the state. The new aircraft would still bring in more dollars than the old ones.

50th LEGISLATIVE SESSION -- 1987

Date 4-3-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

April 3

19 87

MR. PRESIDENT

SENATE TAXATION

We, your committee on.....

HOUSE BILL

having had under consideration..... No. 851

third reading copy (blue)
color

HARP (BROWN)

TRANSFER ELECTROLYTIC ORE-REDUCTION MACHINERY AND
EQUIPMENT TO CLASS 5

HOUSE BILL

851

Respectfully report as follows: That..... No.

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

STATUS SHEET

50th LEGISLATIVE SESSION

TAXATION

COMMITTEE

HOUSE BILL NUMBER	ENTERED COM. DATE	DATE CON- SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON- CURRED IN DATE	BE NOT CON- CURRED IN DATE	BE CON- CURRED IN AMENDED DATE	BE CONC IN AME DA
829	2/18/87	3/10/87	3/19/87	tabled							
832	2/18/87		3/9/87	referred to Business & Labor							
833	2/18/87	3/11/87				3/19/87					
834	2/18/87	3/11/87	3/19/87	tabled							
841	2/20/87	3/10/87	3/19/87	tabled							
842	2/20/87	3/9/87				3/19/87					
843	2/20/87	3/11/87	tabled								
846	2/23/87	3/11/87			3/16/87						
848	2/23/87	3/11/87	3/18/87	tabled as amended							
848			3/20/87	transferred to House							
850	3/3/87	3/12/87	3/16/87	tabled							
851	3/3/87	3/17/87		3/19/87							
857	3/3/87	3/13/87	3/16/87	tabled as amended							
858	3/3/87	3/13/87					3/18/87				

Use a separate sheet for Senate Bills, House Bills, and Resolutions.

wheel" on page 1, line 13 of the bill. The motion CARRIED unanimously.

Chairman Ramirez made a motion to amend the bill so that all three distribution clauses are the same. The motion CARRIED unanimously.

Rep. Raney made a motion to amend the penalty to "500%". The motion CARRIED unanimously.

Chairman Ramirez advised the administration of aircraft and boats should be made the same, which would mean a new section 2. Rep. Raney made a motion to that effect, which CARRIED unanimously, and Chairman Ramirez asked Greg Petesch to draft the language. The Committee passed for the day on taking final action on the bill.

DISPOSITION OF HOUSE BILL NO. 807: Rep. Harp made a motion that HB 807 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 858: Rep. Williams said he had made an earlier notation to amend the bill to a minimum of 10 acres.

Chairman Ramirez advised that, in the essence of time, the bill would be taken up after bill hearings this date.

CONSIDERATION OF HOUSE BILL NO. 851: Rep. John Harp, House District #7, sponsor of HB 851, said the bill would transfer electrolytic reduction facilities machinery and equipment from class eight to class five property, and provide an immediate effective date and retroactive applicability date. He stated that the bill makes sense, and explained that in December, 1983, ARCO announced its intent to divest its metals division, as it feared it would lose the aluminum plant in Columbia Falls. He advised that ARCO decided to keep the plant open indefinitely, and in 1985, all employees agreed to a 20% reduction in benefits and a cut in holidays from 12 to 6, along with concessions from Burlington Northern on freight rates.

Rep. Harp said the one remaining issue is that the Columbia Falls Aluminum Corporation (CFAC) needs to be in competition with the world market, but its tax in Montana is \$2.4 million, while it pays an approximate total of \$750,000 in 7 other plants in the West. Rep. Harp commented that DOR recently assessed the plant at \$148 million, while it was assessed by that agency last year at \$120, and by an independent appraiser at \$30 million. He stressed this is the same plant for which ARCO could not find a buyer, and said the number of employees was reduced from 960 to 800.

TAXATION COMMITTEE

March 17, 1987

Page 4

Rep. Harp referred to the fiscal note wherein it is stated that the plant was assessed at 254 mills and not 300 mills. He said, speaking long term, Montana has not lost too many primary jobs at the plant, where employees average more than \$20,000 annually.

PROPOSERS OF HOUSE BILL NO. 851: Jerome Broussard, President and General Manager of CFAC, said aluminum is a very competitive commodity business. He stated labor costs were reduced by more than 40% and were made up for with profit sharing. Mr. Broussard advised that current taxes provide a higher break even point, but the plant can't operate with lower aluminum prices, when the state gets 6.7 cents for every \$100 the plant makes.

Mr. Broussard stated he believes the bill is fair and, although it reduces the tax to \$1 million, it is still twice that paid in other states. He told the Committee CFAC wants to remain competitive and a viable part of Montana's future.

Mayor Colleen Allison, Columbia Falls, told the Committee she was proud of the continuing support in her area for CFAC. She advised that Bonneville Power agreed to address the problem of high energy rates and the city of Columbia Falls passed a resolution in support of the bill. Mayor Allison stated it is unfair for CFAC to pay 10% of the taxes paid in the County which would lose 300 families in a city of 3,100 people, and about 450 families in school districts, if the plant were to close.

Ryan Taylor, District Superintendent of School District #6, Columbia Falls, asked to have the school board on record as not opposing this legislation.

Tom Payne, Columbia Falls Chamber of Commerce, stated that, in 1970, he graduated from Montana State University in Chemical Engineering. He advised that of the 480 students graduating in engineering in 1987, 385 must leave the state to find jobs, and that Montana per capita income has dropped 16% in 6 years. He requested that the Committee support the bill (Exhibit #3).

Dennis Corbett, Vice President, Aluminum Workers Trade Council, Columbia Falls, said he represented 700 workers. He told the Committee the plant is beating all records for efficiency and effectiveness, and needs the bill to continue those jobs.

Bob Beckly, Columbia Falls Chamber of Commerce, provided a written statement from the Chamber in support of the bill (Exhibit #4).

Judy Berardi, Columbia Falls, said the people of Columbia Falls want to save CFAC and believe the bill is equitable. She asked the Committee to support the bill (Exhibit #5).

OPPONENTS OF HOUSE BILL NO. 851: Ken Kruger, Flathead County Commissioner, said he opposes the bill as the county would lose about \$351,000 in direct tax revenue. He added that Montana Association of Counties (MACO) opposes the bill as the Columbia Falls plant has failed to prove that a tax break is needed to keep the company in business.

Howard Gipi, Flathead County Commissioner, said he did not believe the concept of the bill to be appropriate.

QUESTIONS ON HOUSE BILL NO. 851: Rep. Raney asked if it were fair for all of Montana to help with CFAC and, if so, shouldn't the state help the sugar beet plant in Billings. Rep. Harp replied there is a minimal impact of \$200,000 and that he has another bill to raise revenue. He stated there is no question that CFAC is in good shape today, but the question is where it will be in three or four years. Rep. Harp reminded the Committee that School District #6 supports the bill.

Rep. Ream asked what portion of county millage goes to the school district. Rep. Harp replied it is roughly 65%. Ryan Taylor responded that he is attempting to look at what is best for the community and for the school district, and that he was hoping the foundation program would equalize the cost of education.

Rep. Ream asked what percentage of CFAC taxes goes to schools. Rep. Harp replied it is approximately 43% of the budget.

Rep. Ellison asked if CFAC would get a good reduction if it filed and won a tax protest suit. Rep. Harp said he believed the company doesn't want to go to that end.

Rep. Ellison asked if the protest would be dropped if taxes were reduced. Rep. Harp replied it would look very favorable. Jerome Broussard responded that the two are definitely interlinked and would probably result in a change.

Chairman Ramirez asked if the valuation would be out of balance later on, if it is being protested now, and how CFAC proposed to handle the situation. He commented that if property tax reduction is going to be addressed for everyone, a sales tax is necessary for overall reform. Chairman Ramirez advised that this is a very serious situation and if both the proponents and opponents agreed.

Rep. Raney asked Rep. Harp if he would support a local option sales tax. Rep. Harp replied that he is asking for a point of direction, and believes this is the last issue at hand.

Rep. Ellison asked how the CFAC situation differs from that of the sugar beet plant in Billings. Rep. Harp replied the sugar beet plant has not made labor concessions or worked with Bonneville Power, to create a very strong sentiment in the area. He added he is willing to generate dollar for dollar replacement.

Chairman Ramirez commented that the university levy and foundation mills still won't solve the problem, and asked how much the Legislature has done to make up in foundation dollars for School District #6. Ryan Taylor replied it is very difficult to estimate, but the elementary budget is approximately \$250,000 alone. He stressed he is not comfortable going on record with that figure, and would need more time to check it out.

Rep. Williams asked if a new Montana corporation could be partially financed by the Build Montana program. Rep. Harp replied that the company turned down \$8 million from the Board of Investments and still showed a profit last year.

Chairman Ramirez advised that 7% would give the lowest tax percentage rate in the state, and asked if 5-6% would be low enough to keep the company in business. Jerome Broussard replied he is looking at getting a fixed tax burden which is competitive with that in other states.

CLOSING ON HOUSE BILL NO. 851: Rep. Harp explained that if the bill does not pass, the plant could shut down for 2-3 years, as the mines were in Butte, losing \$28 million in payroll, in addition to millions of dollars if pot lines are shut down. He advised he would work hard to get the bill out of Committee.

CONSIDERATION OF HOUSE BILLS NO. 544 AND 545: Rep. Hal Harper, House District #44, testified as co-sponsor of the bills, in the absence of Rep. Janet Moore, who was ill. The bills were originally scheduled for hearing on February 20, but only part of the testimony was heard that date, because of Rep. Moore's absence.

Rep. Harper explained that HB 545 would raise the tax on chewing tobacco to what it is for cigarettes, and is a select sales tax on the fourth largest source of revenue in the state. He said Rep. Moore believes the state should tax luxury items that cause harm, and that income from the tax

1000000

50th LEGISLATIVE SESSION -- 1987

Date March 17, 1987

[illegible]

NAME Thomas F. Payne BILL NO. HB 851
ADDRESS Box 491 Columbia Falls MT DATE 3/17/87
WHOM DO YOU REPRESENT? Col. Falls Chamber of Commerce
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Business climate in the state of Montana is deteriorating at an alarming rate:

- * Since 1970, 14 major businesses have left the state, taking over 20,000 high-paying jobs ①
- * There will be 480 engineering graduates in 1987 in Montana. 385, or 80% will leave the state because there are no jobs. ①
- * Montana's per capita income has dropped from 34th in 1980 to 42nd in 1985, compared to all states. That's a drop of 16% in only six years! ②

To turn this tide, Montana must take immediate action to support existing business and encourage new business.

(CFAC)
Columbia Falls Aluminum Co. is an important business for the State of Montana - an existing business. It provides 800 high-paying jobs

CFAC competes in a very competitive national and world market. CFAC is faced with a non-competitive property tax which will seriously hamper CFAC when the aluminum market heads down. (Aluminum is very cyclical in nature)

Representative Harp's Bill, No 851, will help CFAC be more competitive, which is good for the State of Montana.

I support the Bill for that reason, as does the Columbia Falls Chamber of Commerce which I represent.

Thomas D. Payne

- ① Source: Dept of Chemical Engineering
Montana State University, Dr Lloyd Berg
- ② Source: Montax Tax Bulletin

OX
17-87
851
b Beckley

To Whom it may concern:

I support H. B. #851, even though it will have an instant effect upon Flathead County budgeting. I could also not support H. B. #851 if I used the reasoning that all industries and citizens were or should get a tax break.

These things are probably true, but please, realize with me what supporting H. B. #851 does for Flathead County, such as:

- 1) It will stabilize an industry so sorely needed in Flathead County as it employs 770 people.
- 2) The bill will reduce C. F. A. C.'s taxes by one million dollars but if they were to close, we would lose over two million dollars in a very short time. Plus, those 770 people would be looking elsewhere for jobs, thus, losing the amount of taxes they would be paying.
- 3) Of these 770 people, approximately 600 will own homes. Of these, maybe one hundred will try to stay in the Flathead, leaving five hundred homes placed upon the market. This influx of realty will destroy the prices on all homes for sale in the County.
- 4) The loss of these 770 payrolls will have a tremendous impact upon all business in Flathead County. Many will be forced to close. In this present period of hard dollars, our people cannot afford this to happen.

I would like to point out that other businesses are having a tough time but some have had tax breaks contrary to some public opinion. I am a farmer and rancher besides being a County Commissioner. Therefore, I am a businessman feeling the "crunch". I would like to also point out, that farm land has not been re-evaluated since 1978, except for a few parcels done by request. In other words, their taxing level has remained the same. Taxes on our cattle use the inventory averaging method and stock under nine months old are not taxed at all.

The timber industry has had their lands re-appraised and their percentage of taxable evaluation was dropped from 30% to 3.84%.

I would also like to add that I am very actively in support of economic development. Statistics have proven that it is much cheaper and surer to enhance the stability of our already founded and proven businesses, than it it to procure new businesses that may be in doubt.

In closing, I apologize for not speaking to you in person, but I must be in Washington D. C., representing Montana on the Western Interstate Regional Board for the National Association of Counties at the time H. B. #851 is to be heard.

Sincerely,

A handwritten signature in cursive script that reads "Allen A. Jacobson".

Allen A. Jacobson, Commissioner
Flathead County, Montana

Give CFAC its tax reduction

This week, House Bill 851 will be aired before the House Taxation Committee. The bill, with a simple bookkeeping change, would give the fledgling Columbia Falls Aluminum Co. a tax cut worth about \$900,000.

It's a tough call, but despite the added pressure that tax cut will place on schools and local governments, the bill deserves the committee's OK.

HB851 is not the kind of bill that's easy to support. It is special-interest legislation in that it benefits only one taxpayer, possibly at the expense of other taxpayers.

Special-interest legislation won't solve Montana's problems. What Montana needs is sweeping tax reform to broaden the tax base and equalize the load.

But what we need and what we'll get, unfortunately, are apt to be much different. And what we do NOT need is to make it tougher for a major employer to continue doing business in the state.

CFAC says its plant is worth \$30 million; the state says \$140 million. A figure somewhere in between seems reasonable. While tax bills are hard to compare directly from state to state, CFAC is at a decided disadvantage compared to other Northwest aluminum plants. CFAC's annual tax bill is about \$2.4 million; Washington and Oregon plants average less than \$1 million.

One thing is certain: The plant's worth nothing if it's shut down.

A year and a half ago when CFAC sought — and got — wage, power, and freight rate concessions, company officials said they would also seek property tax concessions to make the Columbia Falls plant more competitive in the world market. Back then, to most taxing jurisdictions, a reduced tax payment from the aluminum plant seemed a small price to pay to save hundreds of jobs and the plant.

It still does.

With lower costs and greater efficiency, the plant prospered last year. It is not in

immediate danger of closing. As long as it remains competitive, it will thrive, and that's what HB851 is all about — reducing the cost of doing business in Montana so a major employer can prosper and provide jobs for Montana workers.

When the Washington Corps. reopened metals operations in Butte, the Montana Department of Revenue negotiated a lower tax rate to give the new operators a leg up.

But CFAC has had little luck negotiating a similar break from the Department of Revenue. So the company turned to the Legislature for relief. Frankly, a negotiated settlement with the Department of Revenue is preferable to HB851, but no one can — or will — compel the DOR to negotiate.

Eventually, when the state decides it wants a measure of prosperity we do not now have, the Legislature will enact sweeping tax reforms and adjust spending priorities. Until then, we will have to be satisfied with short-term measures to protect the jobs we have.

CFAC joins many to protest its taxes

Tax protests over appraised property values in Flathead County were numerous this year.

Flathead County Treasurer Idella Smithers received more than 2,000 protests over 1986 taxes. Columbia Falls Aluminum Co., the county's largest taxpayer, is among that number. Plant officials seek tax relief for what they believe is an unfair appraisal.

The CFAC plant was appraised for tax purposes at \$148 million, but a private firm recently estimated its market value at \$30 million.

As insurance for their protest, the company is actively supporting a bill at the state legislature that would reduce the plant's taxable percentage from 11 percent to 3 percent, thus saving the plant an estimated \$900,000 a year in property taxes.

For years Flathead County was lucky to have such a solid tax base provided by the aluminum plant. Now with major changes at this plant and the decline of the aluminum industry regionally, the situation has changed.

Aluminum plants in the Northwest aren't worth as much as they once were. Some have closed. The Columbia Falls facility nearly shut down before it was purchased in 1985. Then it adopted a new business philosophy in order to survive. So far, the 770-worker plant is succeeding.

But unrealistic property appraisals won't help the plant's future. Plant officials' complaints over taxes are for the same reason that the 2,000 Flathead County property owners also are protesting.

As with every other property owner, Flathead County valuations shouldn't be based on outdated or unrealistic appraisals. Ranking on the tax rolls shouldn't affect the outcome of any tax protest.

—Brian Kennedy

SCHOOL DISTRICT NUMBER SIX

COLUMBIA FALLS, MONTANA 599121259

MONTANA'S LARGEST SCHOOL DISTRICT STRETCHING FROM
CANADIAN BOUNDARY INTO BOB MARSHALL WILDERNESS,
AND INCLUDING HALF OF GLACIER NATIONAL PARK AND THE
NORTHEAST PORTION OF FLATHEAD VALLEY

OFFICE OF THE SUPERINTENDENT
TELEPHONE (406) 892-4321

February 19, 1987

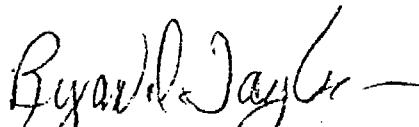
Columbia Falls Aluminum Company
Columbia Falls, Montana 59912

Dear Jack,

School District #6 supports the legislation to be introduced by Representative John Harp, that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property.

Despite the obvious impact by any adjustments or tax appeals, we support Columbia Falls Aluminum Company in their continued efforts to remain a viable industry.

Sincerely,


Ryan D. Taylor
Superintendent

RDT:ca

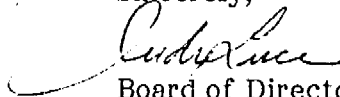
February 20, 1987

Columbia Falls Aluminum Company
Columbia Falls
Montana 59912

Dear Sir/Madam:

The Columbia Falls Chamber of Commerce supports the legislation to be introduced by Representative John Harp that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property, amending Section 15-6-135, MCA, and providing an immediate effective date and a retroactive applicability date.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judy Luce", with a long horizontal flourish extending to the left.

Board of Directors
Columbia Falls Chamber of Commerce
Judy Luce, President

CITY OF COLUMBIA FALLS

DRAWER G

COLUMBIA FALLS, MONTANA 59912

892-4391

February 19, 1987

Columbia Falls Aluminum Company
Columbia Falls, Montana 59912

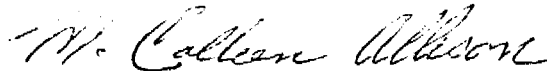
Dear Jack,

The City of Columbia Falls supports the legislation to be introduced by Representative John Harp, that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property.

A Resolution supporting same will come before and be approved by Mayor and Council March 2, 1987.

Anything more we can do to facilitate the process please advise.

Sincerely,



M. Colleen Allison
Mayor

HOUSE TAXATION COMMITTEEBILL NO HB 851DATE March 17, 1987SPONSOR HARP

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JUDY BOZARDI	Columbia Falls 22 CONVEY BLUFF	✓	
Harold J. J.	Kalispell		✓
Ken Kump	Kalispell		✓
Judy Luce	Columbia Falls	✓	
JENNIS Corbett	Kalispell	✓	
Greg S. Spite	Columbia Falls	✓	
Ryan J. J.	" "		
Thomas F. Payne	Columbia Falls	✓	
GARY SAUREN	WHITEFISH	✓	
Terry Miller	Columbia Falls	✓	
William Miller	Columbia Falls	✓	
Gordon Morris	MA Co.		✓
JT BROUSSARD	Columbia Falls	✓	
PETER TRACY	WHITEFISH	✓	
Steve Narvanesch	Columbia Falls	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Chairman Ramirez advised the Committee could kick HB 751 out and work on HB 816.

Rep. Asay made a motion that HB 816 DO PASS, and made a motion that the proposed amendments be approved (Exhibit #9). Greg Groepper stated he thought the bill was for agricultural processing facilities that were shut down, and asked if what he was hearing the Committee say, was that it is to give a tax incentive for such businesses. He commented that Great Western Sugar has never really been shut down, and suggested the amendment be added to Rep. Asay's bill.

The motion to amend CARRIED with all members voting aye, except Reps. Keenan and Ream, who voted no.

Rep. Asay made a motion that HB 816 DO PASS AS AMENDED. The motion CARRIED with all members voting aye, except Reps. Raney, Ream, Hoffman, and Harrington, who voted no.

DISPOSITION OF HOUSE BILL NO. 851: Rep. Harp requested that the Committee look at the bill as it was originally introduced, and that they strip the amendments that were approved during the last executive action on the bill. Rep. Harp made a motion to that effect.

Chairman Ramirez advised he would resist the motion.

Rep. Harp stated his community is willing to take an \$800,000 loss, and the state should be willing to take a \$200,000 loss in a cooperative effort.

Chairman Ramirez asked if this were a life and death situation right now, as he hadn't seen a compelling need for such a tax break.

The motion to strip the amendments CARRIED 9-6 on a roll call vote, with 1 abstention (attached).

Rep. Harp made a motion that HB 851 DO PASS. The motion CARRIED with all members voting aye, except Rep. Ramirez, who voted no.

DISPOSITION OF HOUSE BILL NO. 834: Chairman Ramirez made a motion that HB 834 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 821: Rep. Keenan made a motion that HB 821 DO PASS, and made a motion that DOR's proposed amendments be approved (Exhibit #10).

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 3-19-87 BILL NO. HB 851

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK			1
ASAY, REP. TOM			1
ELLISON, REP. ORVAL			1
GILBERT, REP. BOB			1
HANSON, REP. MARION		1	
HARP, REP. JOHN		1	
HARRINGTON, REP. DAN			1
HOFFMAN, REP. ROBERT		1	
KENNAN, REP. NANCY		1	
KOEHNKE, REP. FRANCIS	1		
PATTERSON, REP. JOHN		1	
RANEY, REP. BOB		1	1
REAM, REP. BOB		1	
SANDS, REP. JACK		1	
SCHYE, REP. TED		1	
WILLIAMS, REP. MEL		1	
TALLY	1	9	6

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion:

Harp Stripped